

# The Strategy to Increase Investment in Indonesia and Obstacles of Perfection of Investment Law

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## ABSTRACT

This study aims to examine and find barriers to the refinement of investment law development as an effort to implement strategies to increase investment in Indonesia. This article is qualitative research. Examine and find barriers to the refinement of investment law development as an effort to implement strategies to increase investment in Indonesia. The reconstruction of the capital investment law is conducted by the issuance of Law Number 25 Year 2007 regarding investments which regulate domestic investment and foreign investment. The consideration of the appointment of BKPM as the only government agency that handles investment activities in the framework of PMA and PMDN is in order to increase the effectiveness in attracting investors to invest in Indonesia. Previous researches have not discussed the strategy of increasing capital investment so that it becomes the difference between this research and previous research (originality).

## KEYWORDS

Indonesia, Investment Law, Strategy Investment

## 1. INTRODUCTION

The development of investment for micro, small, medium and cooperative enterprises is part of the basic investment policy. The purpose of the investment can only be achieved if the obstacles of the investment can be overcome, among others through improvement of coordination between central and regional government agencies, efficient bureaucracy, legal certainty in the field of investment, competitive economic cost, and a secure business climate of employment and business security. There are many problems in the business world concerning the regulation both central and regional regulations. The government needs to follow up the improvement of transparency in the legal provisions of investment in Indonesia. The implementation of regulatory transparency aims to improve the substance of law, public policy and investment policy in Indonesia.

If the government wants to attract more foreign investors to invest in Indonesia, the bureaucratic link should be shortened. Ineffective bureaucracy will be expensive as well as time consuming, which will ultimately weaken the competitiveness of Indonesia in the global market.

Obstacles arise not only from the availability and quality of infrastructure. The infrastructure problems include the readiness of facilities and infrastructure of transportation, telecommunications, electricity, and clean water. Inadequate infrastructure condition is not supportive business activities. Instead, it creates high-cost economy because entrepreneurs are forced to provide greater sacrifices and time costs that result in the decline in product competitiveness.

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Yang (2004) became the latest reference for this research in underpinning research on SME's. Who tried to examine the sustainability of SME's law development by taking into account several factors that influence. Yang's research also shows the effect of investment on sustainability. The provision and management of infrastructure which is generally classified as public goods are mostly held by the central, regency, provincial, and state-owned enterprises. In general, the condition of government-run facilities and infrastructure from the central to the regional levels reflects the lack of professional management of infrastructure. This condition is exacerbated by the division of authority in each level of government in the provision and management of certain types of infrastructure, thus limiting the space of the agencies / institutions. In fact, many cases show that the bad coordination system between agencies / institutions in Indonesia actually worsen the condition of existing facilities and infrastructure. Another obstacle is the existence of various kinds of charges. Those charges, which have burdened the entrepreneur's trading activities, are differentiated by the legal aspects underlying their existence.

Efforts to improve the development of law in the field of investment is a national law program, since it involves the whole government both central and regional authorities which have responsibility to jointly create a culture of law and good economic culture. The investment climate not only guarantees the benefits to the entrepreneurs as well as the sustainability of the country's development but also an impact on the community, both on economic, social and cultural quality. The collapse of political parties, law enforcement officers, state institutions and state commissions in Indonesia affect the world of law including the law in the field of investment.

Based on the description, this study aims to examine and find barriers to the refinement of investment law development as an effort to implement strategies to increase investment in Indonesia. Previous researches have not discussed the strategy of increasing capital investment so that it becomes the difference between this research and previous research (originality).

## 2. LITERATURE REVIEW

Since the 1990s, foreign investment has been presented as a strong means for development. Foreign investment serves to climb the value ladder, bridge the investment gap, and maintain a 'maxim effective utilization of economic resources.' [i] Yet, attracting and enabling foreign investment is not an easy task for governments. In a context of fierce competition for capital, this requires an active state promoting policies that match the needs of foreign investors. As a result, the control and steering of foreign investment of the 1960s and 1970s was quickly replaced with a model in which governments must facilitate foreign investor initiatives and reap the benefits of multinational corporate activity. The basis of this development model is to organise local resources around the expectations of foreign investors, and rely on sovereign powers as a means to reach this objective: e.g. as a means to implement extractivism and maquilas.

The international investment regime, which consists of more than 3,000 treaties for the protection of foreign investment, has been fundamental in promoting this development model and in supervising states that tried to defy its orthodoxy. Like UNCTAD explained in the early World Investment Reports, an initial purpose of investment arbitration was to lock-in a foreign investment-led development project. International arbitrators were in charge of preventing governments from changing their minds, and disappointing foreign investor expectations. Most of the criticisms against the international investment regime, however, are not based on these grounds. The main argument sustains that some investment arbitrators have gone too far, limiting regulation to curb negative externalities and market abuses — involving, for instance, plain-tobacco packaging. The increasing discussion about the right to regulate, in this way, has eclipsed a more profound debate about the role of the international investment regime in limiting alternative forms of development and policy experimentation. The barriers of investment law development also can make stronger regulation. Only one barrier is enough for make that change.

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